TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 1448 – SB 1677

February 19, 2014

SUMMARY OF ORIGINAL BILL: Defines the capitalization rate for greenbelt property to be the average lending rate for agricultural land as determined by the state Board of Equalization beginning January 1, 2015.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Revenue – Exceeds $100,000/FY15-16

SUMMARY OF AMENDMENT (012760): Deletes section one of the original bill. Defines the capitalization rate for greenbelt property to be the maximum allowable rate on loans for terms in excess of five years guaranteed by the federal Farm Service Agency or its successor, as of the assessment date for the year in which the use value schedule is being developed.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – The fiscal impact to local government property tax revenue cannot reasonably be determined due to unknown variables.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-5-1008 (c)(2)(C), the capitalization rate is currently determined by dividing total farm real estate interest expense by total farm real estate debt as published for Tennessee by the Tennessee Agricultural Statistics Service, or its successor, for the most recent year available.
- According to the Comptroller of the Treasury (COT), the provisions of the bill as amended replace the source for calculation of the capitalization rate in the income value component of greenbelt use value with a rate based on interest rates on guaranteed loans in excess of five years by the federal Farm Service Agency.
- Based on information provided by COT, such rates will fluctuate based on financial market conditions, and as such it is not possible to estimate how the provisions of the bill as amended will impact local government property tax revenues.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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